



# PRADHAN MANTRI JAN DHAN YOJANA: THE MOST INTENSIVE FINANCIAL INCLUSION SCHEME IN INDIA

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## ABSTRACT

Hon'ble Prime Minister Shri Narendra Modi announced a new scheme Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 15, 2014 and launched it as a national mission for financial inclusion on August 28, 2014 as a land mark initiatives to ensure financial inclusion for weaker section of the society for providing banking, insurance and pension to mitigate the ill effects of earlier schemes, thus giving them dignity, financial freedom and financial stability. On the inauguration day, 1.5 Crore bank accounts were opened under this scheme across the country, the largest such exercise on a single day possibly anywhere in the world. The implication of the financial exclusion is much needed when the exclusion mass is entrapped in the hydra headed cycles of poverty. This causes further social exclusion which is very much detrimental for the equitable growth in any country. Needful modification in Rupay cards program and life cover has strengthen the scheme more Accountable and transparent organizational structure for implementing PMJDY will be essential for achieving the desired societal outcomes which solely depends on the execution skill of the Government.

**KEYWORDS:** PMJDY, Financial Inclusion, poverty, financial products & services, strategies.

## I. Introduction

Pradhan Mantri Jan Dhan Yojana (PMJDY) is a social upliftment scheme which aims to bring the millions of excluded Indian people in the main financial stream through financial inclusion, a subject of national priority for the present NDA Government. Even after 68 years of Independence and 45 years of nationalization of banks, It's hard fact to deny that In India, one segment of the population has access to assortment of almost all banking services starting with a saving bank account to net banking, thus enjoying all banking facilities 24\*7 whereas another larger population segment of underprivileged and lower income group is totally deprived of even basic financial services. On 15<sup>th</sup> August 2014, Our Hon'ble Prime Minister of India.

Shri Narendra Modi announced the launch of India's most intensive financial inclusion mission i.e PMJDY and expressed his burning desire "We want to integrate the poorest of the poor with bank accounts with Pradhan Mantri Jan Dhan Yojana. Today there are crores of families which have mobile phones but no bank accounts. We have to change this. The economic development must benefit poor and it should start from here". On the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme across the country, the largest such exercise on a single day possibly anywhere in the world. The most bank accounts opened in one week as a part financial inclusion campaign is 18096130 was achieved under PMJDY which was recognized by Guinness World Records. Exclusion of large segments of the society from financial services affects the overall economic growth of a country. In true sense PMJDY is a poverty eradication program. India has committed to become a superpower for which it has to address poverty. The ILO declaration of 1944 proclaimed that, Poverty anywhere is a threat to prosperity everywhere. "Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom." - Late Nelson Mandela.

Most Economists considers financial inclusion as the driver of economic development that can play a vital role in driving away the poverty by providing financial services to low-income people. In an endeavor to include the excluded people for banking facility a committee was constituted in 2004 lead by Mr. Khan. The Committee gave a clear cut recommendation that financial inclusion is the need of the hour and undoubtedly PMJDY is working in the same direction with innovative strategies and technological advancement within time bound framework.

## II. Objective of the study

- To understand the need of Financial inclusion through PMJDY in Indian context
- To list the pinpoints making PMJDY more attractive including the latest modified terms and condition
- To identify the proposed strategies for successful implementation of this scheme of national priority.

## III. Methodology

The present paper is primarily based on secondary sources of data consisting of government publications, research articles published in journal and available on

websites.

## IV. Need of Financial Inclusion through PMJDY in Indian context

The Rangrajan committee (2008) on financial inclusion, of Government of India, has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost. The committee was of the opinion that financial inclusion is a favorable instrument for social transformation. In order to ensure financial inclusion a number of initiatives had been taken up by Government of India and Reserve Bank of India like Nationalization of Banks, Expansion of Banks branch network, Establishment & expansion of Cooperative and RRBs, Introduction of PS lending, Lead Bank Scheme, Formation of SHGs and State specific approach for Govt. sponsored schemes to be evolved by SLBC etc. RBI in the year 2006, with the target of ensuring greater financial inclusion and increasing the outreach of the banking sector, decided in public interest to enable the banks to use the services of NGOs/SHGs, MFIs and other Civil Society Organizations as intermediaries in providing financial and banking services through use of "Business Facilitator and Business Correspondent Model.

The main underlying principle for launching PMJDY is that according to the 2011 Census, of the 250 million households in the country, only about 145 million, or about three-fifths of the total had access to basic banking services. Thus, about two-fifths of the households (105 million) do not have access even to basic banking services. The former Deputy Chairman Planning Commission, Government of India has reported to the Parliament that poverty is the major concern for the country and over 62% of the total population comes under the Below Poverty Line. Despite various measures for financial inclusion, poverty and exclusion continue to dominate socio-economic and political discourse in India after six decades of post economic independence era. 100% financial inclusion is still a dream project. PMJDY launched on 28th Aug, 2014 shows the nation hope of light. The prime objective of financial inclusion in developing countries like India is the access and availability of banking and payments services to the entire population at the reasonable cost and without any discrimination.

Living without financial services and products is the matter of concern for both country and countrymen when the contemporary world is moving on towards cashless system depending on credit cards, debit cards, ATMs & core banking solution (CBSs). The implication of the financial exclusion is much needed when the exclusion mass is entrapped in the hydra headed cycles of poverty. This causes further social exclusion which is very much detrimental for the equitable growth of the world community. That is why there is an urgent need to implement effectively PMJDY by virtue of financial inclusion as all other development activities are hindered by this single disability. This is an important step towards converting Indian economy into a cashless and digital economy.

## V. Pinpoints making PMJDY more attractive

- The scheme covers both urban and rural areas of India with particular focus to empower the weaker sections of society, including women, small and marginal farmers and labourers.
- Under the scheme, account holders will be provided zero-balance bank account with any bank, either public or private, with RuPay debit card, in

addition to insurance cover of Rs 1 lac for non premium cards and Rs 2 lac for Rupay premium cards for accidental death or permanent total disablement for the financial year 2015-16.

- Insurance benefits are provided to the cardholders who perform at least one successful financial or non financial transaction within 45 days prior to date of accident including accident date.
- In case multiple cards held by the cardholder of same or different bank, the choice of the card for the claim of compensation would remain in the hands of the customer as per his/her convenience.
- There is open policy for any kind of accident related to death or permanent total disability which is available for all Rupay cardholders above 5 year of age.
- The concerned bank will be responsible for communicating benefit details proactively through various means.
- The point worthy of being mentioned is that the claim will be settled in 10 working days from the date of receiving complete set and assessment of entitlements by the New assurance co.ltd.
- Coverage cannot be denied to the member under the PMJDY Scheme, if the member himself has paid the Insurance Premium in full or partially for availing any other Insurance Benefit linked with the same bank account.
- in case of joint account under PMJDY, if primary account holder is ineligible for risk cover of Rs.30,000/- then the risk cover of Rs.30,000/- should be extended to the secondary account holder provided if he/she satisfies the eligibility conditions for life cover.
- Accounts opened on or before January 31, 2015 (earlier it was 26.01.2015) in addition to accidental insurance, they will be given life insurance cover of Rs 30,000.
- Person must have a RuPay Card and Bio-Metric Card linked to bank account or in process of being linked to bank account if not already there. However, no Claim should be denied due to this condition.
- After Six months of keeping the bank account active, account holders can avail Rs 5,000 loan from the bank.
- Special camps are being organized covering 6000 villages of India where an individual can go and get a new bank account registered. These camps will be run from 8 AM to 8 PM.
- National Payments Corporation of India (NPCI) makes it easy even for a common people to transfer funds, check balance through a normal phone which was earlier limited only to smart phones so far.
- National Unified USSD Platform (NUUP) has made availability of mobile banking even for weaker section of the society for which all banks and mobile companies have come together
- The special online portal is being launched to study the progress of the scheme that is being implemented on a larger scale.
- Mapping of each district into Sub Service Area (SSA) catering to 1000-1500 households in a manner that every habitation has access to banking services within a reasonable distance by 14th August, 2015.
- Expansion of bank branches and ATM network according to SSA identification programme and coverage of population through Business Correspondent (Bank Mitra) has brought banking facility within the reach of people excluded from main financial steam.
- Strategy of simple documentation has been introduced for opening account. If Aadhar card/Aadhar number is available then no other document is required. Even Letter issued by a gazette officer, with a duly attested photograph of the person is sufficient to open the account.
- Account holders can deposit cash in their account and receive attractive interest thereon. It enables them to keep safe their money with interest and get rid of from number of private fraudsters who can siphon off their money with manipulative saving schemes.
- The plan has provision of creation of a Credit Guarantee Fund for coverage of defaults in accounts with overdraft up to Rs. 5000. It is proposed to be housed in National Credit Guarantee Corporation (NCGC).
- Unorganized sector pension scheme and micro-insurance are other social security provisions of the plan has been declared for encouraging informal sector workers to save small amounts during their working years to enable

them to draw a pension in their old age.

- The bank accounts will be Aadhar card-linked and hence Direct Benefit Transfers shall be carried out for all government sponsored benefits through the bank accounts directly to the account of the beneficiaries.
- The Jan Dhan Yojana also seeks to provide incentives to business and banking correspondents who actually bring the poorest of the poor under the ambit of the scheme by means of financial literacy by fixing a minimum monthly remuneration of Rs 5000.

#### VI. Action Plan for Implementing PMJDY

Two phases of this scheme has been determined in which the objective of financial inclusion of weaker section of the society is supposed to be achieved.

##### a) Phase-I of PMJDY

The first phase of this scheme starts from August 15, 2014 to March 14, 2016 which focuses on the followings :

- All households across the country should have access to banking facilities with at least one Basic Bank Accounts with a bank branch or a fixed point Business Correspondent (BC).
- All households should have been issued a RuPay Debit Card with Rs. 1 lakh inbuilt accident insurance cover after opening the bank account.
- If bank account is operated satisfactorily for 6 months, Rs. 5000 overdraft facility will be granted to only Aadhaar enabled accounts.
- All types of Govt. sponsored benefits should be directly credited to the account of beneficiaries through Direct Benefit Transfer scheme.
- The existing Kisan Credit Card is proposed to be issued as RuPay Kisan Card to the farmers.
- Financial literacy programme under the scheme will be implemented up to village level.

##### b) Phase-II of PMJDY

The second Phase starts from March 15, 2016 to August 14, 2018 putting focus on the following:

- Micro insurance will be brought within the reach of all willing and eligible people by 14 Aug, 2018 and then on an ongoing basis.
- Swavlamban unorganized sector pension scheme is to be proposed through the Business Correspondents.
- Households in hilly, tribal and difficult areas will be covered in this phase.
- This phase would focus on coverage of remaining adults in the households and students.

#### VII. Six Pillars of Pradhan Mantri Jan Dhan Yojna

The programme for financial inclusion under the PMJDY is based on six pillars:

##### A. Universal Access to Banking Facilities

The foremost pillar of the PMJDY is to provide access to banking facilities and services to ensure financial inclusion of the underprivileged section of the society. Almost 6 lakh villages in the country are to be covered through Sub Service Areas. Banks are required to provide one fixed point banking outlet as a either branch or Business Correspondent (known as „Bank Mitra”) to cater services to 1000 to 1500 households within a short distance of 5 kms. Technological services like internet connectivity, mobile telephone services etc will be key element for effective financial inclusion

##### B. Providing Basic Banking Accounts

The effort would be to first cover all uncovered households with banking facilities by August, 2015, by opening basic bank accounts. Account holder would be provided a RuPay Debit Card. Facility of an overdraft to every basic banking account holder would be considered after satisfactory operation / credit history of six months.

##### C. Financial Literacy

For successful implement of PMJDY awareness among the people about the benefits of formal financial system, banks, savings, credit, ATM centre, timely repayment of loans and other services is the key to success. About 718 Financial Literacy Centres have been setup and 2.2 million people have received the benefits of awareness camps, seminars and lectures during 2012-13. Increasing number of FLCs in rural areas will play a vital role in implementing the scheme . It is also planned to make a convergence with the National Rural Livelihood Mission and the National Urban Livelihood Mission and also to take help of NGOs working with NRLM and NULM to achieve the objective of financial literacy.

**D. Credit Guarantee Fund**

Creation of a Credit Guarantee Fund (CGF) would be to cover the defaults in overdraft accounts. The CGF is proposed to be created and kept under the National Credit Guarantee Trust. This fund will give a security to banks to provide over draft credit and will bring in discipline in the monitoring mechanism.

**E. Micro Insurance**

Micro insurance policy is provided under this scheme for the coverage economically vulnerable sections of the society. This facility will be available in the form of health insurance, personal accident, and insurance of house, livestock, tools, machinery and instruments. The „Bank Mitra“ will be the key factor offering micro insurance policies in order to cover the rest of the beneficiaries.

**F. Pension Scheme**

Pension payments under the Swavalamban Yojana scheme for workers in the unorganized sector will be paid through bank accounts by August 2018. It encourage them to save income on their own for their old age.

**VIII. Proposed Strategies for effective Implementations**

- All the rural & semi-urban areas of the country are proposed to be mapped into Sub Service Area (SSAs) comprising 1000-1500 households with an average 3-4 villages with relaxation in NE/Hilly states. Thus Identification of SSAs at the district level through the District Level Coordination Committees (DLCCs) has already been completed.
- It is also proposed that looking to the viability of each center around 74000 villages with population more than 2000 which were covered by Business Correspondents under Swabhimaan Campaign to be done phase wise manner with staff strength of 1+1 / 1+2 in the next three to five years.
- It is proposed that SSAs shall be covered through a combination of banking outlets i.e. branch banking and branch less banking. Allocation of SSAs to different banks has also been done.
- The implementation strategy of the plan is to utilize the existing banking infrastructure as well as expand the same to cover all households. While the existing banking network would be fully geared up to open bank accounts of the uncovered households in both rural and urban areas, the banking sector would also be expanding itself to set up an additional 50,000 Business Correspondents (BCs), more than 7,000 branches and more than 20,000 new ATMs in the first phase.
- Keeping the stiff targets in mind, in the first phase, the plan would focus on first three pillars in the first year starting from th15 August, 2014.
- In order to achieve this plan, phase wise and state wise targets for Banks have been set up for Banks for the period th15 August, 2014 to 14 August, 2015.
- It is proposed to launch the programme simultaneously at National level in Delhi, at every State capital and all district headquarters. A web-portal would be created for reporting/monitoring of progress.
- Gram Dak Sewaks in rural areas are proposed as Business Correspondent of Banks.
- NPCI has launched new products like USSD based mobile banking, IMPS etc. which have potential to change the entire landscape of Financial Inclusion. There would be focus to use these products in a large way to ensure coverage of hitherto excluded section in a time bound manner.
- It is proposed to encourage Public-Private partnerships. The existing rural infrastructure of post offices having Gramin Dak Sewaks would be optimally utilized to become Bank Mitra (Business Correspondent) of the Banks.
- One of the key strategies will be deployment of online fixed point Bank Mitra (Business Correspondent) to deliver basic banking services near to the customer doorstep. There are 1.26 lac Common Service Centres, out of which only 12,000 are BCs of the Banks.
- The strategy is to take forward the Bank Mitra (Business Correspondent) model for expansion of banking services by modifying it to ensure both operational flexibility and viability of the Bank Mitra (Business Correspondent). Technological innovations like RuPay card and mobile banking would be made use of. Banks will use the RBI's scheme for subsidy on rural ATMs and UIDAI's scheme for subsidy on micro ATMs to augment their resources at the village level.
- Convergence with the National Rural Livelihood Mission (NRLM) in rural areas and National Urban Livelihood Mission (NULM) in urban areas would be sought for in covering each household with bank accounts.
- The expansion plans of the Department of Telecom to provide telecom connectivity in difficult areas would be effectively utilized for the provision of

banking facilities in these areas. Department of Telecom has been requested to ensure that problems of poor and no connectivity are resolved on priority.

**IX. Conclusion**

- PMJDY, a long felt-need National Mission on Financial Inclusion committed itself for an integrated approach to bring about comprehensive financial inclusion of all the households in the country enabling especially low income group people to get rid of moneylenders, cultivate the habit of saving, and most importantly, benefit from string of financial products and services offered by banking system.
- This mega scheme has attracted the mass population because the scheme proves to the bunch of financial products and services starting with universal banking facilities to facilities of micro finance and pension provision at a very affordable cost.
- It not only will eradicate poverty and curb corruption at the grass root level but at the same time generate an employment opportunity which in turn improves the living standard of vast section of underprivileged people leading ultimately to vicious cycle of Economic growth.
- For successful implementation of this mega mission, full support is needed from Banking and other Financial Institutions, private service providers and above all, the responsible citizen.
- Needful modification in Rupay cards program and life cover has made the scheme more attractive.
- The progress of all proposed strategies needs to be checked on regular basis and effectively implemented within specified time bound framework.
- We can say that accountable and transparent organizational structure with their predetermined contribution for implementing PMJDY will be essential for achieving the desired societal outcomes which solely depends on the execution skill of the Government.

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